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In the Supreme Court of the United States

MICROSOFT CORPORATION, PETITIONER

v.

AT&T CORP.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE

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QUESTIONS PRESENTED

In certain circumstances, Section 271(f) of the Patent Act prohibits the "suppl[y] * * * from the United States * * * [of] all or a substantial portion of the components of a patented invention * * * in such manner as to actively induce the combination of such components outside of the United States," as well as the "suppl[y] * * * from the United States [of] any component of a patented invention that is especially made or especially adapted for use in the invention." 35 U.S.C. 271(f)(1) and (2). For purposes of that statute, the questions presented are:

1. Whether software object code can be a component of a patented invention; and, if so,

2. Whether copies of software object code are "supplie[d]" from the United States when those copies are created overseas by replicating a separate master version supplied from the United States.

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This brief is submitted in response to the order of this Court inviting the Solicitor General to express the views of the United States. In the view of the United States, the petition for a writ of certiorari should be granted.

STATEMENT

Respondent AT&T Corp. brought this patent infringement action against petitioner Microsoft Corp., alleging that computers loaded with petitioner's Windows® operating system infringe respondent's patent related to digitally recorded speech. After petitioner conceded liability as to Windows-based computers manufactured and sold in the United States, the district court held that petitioner was also liable for Windows-based computers manufactured and sold *outside* the United States. The Federal Circuit affirmed.

1. "[W]hoever without authority makes * * * within the United States * * * any patented invention," is generally liable for patent infringement. 35 U.S.C. 271(a). In

Deepsouth Packing Co. v. *Laitram Corp.*, 406 U.S. 518 (1972), this Court held that a company did not violate that provision by manufacturing the component parts of a patented shrimp deveining machine in the United States and then shipping those parts overseas for final assembly. *Id.* at 523-524. The Court explained that "it is not an infringement to make or use a patented product outside of the United States," *id.* at 527, and the patented invention (the shrimp deveining machine) was not made until its components were assembled abroad, *id.* at 528-529.

Congress responded by enacting 35 U.S.C. 271(f), which states:

> (f)(1) Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.
>
> (2) Whoever without authority supplies or causes to be supplied in or from the United States any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

2. United States Reissue Patent No. 32,580 (the '580 patent) claims an apparatus for digitally encoding and compressing recorded speech. Respondent brought this action against petitioner in the United States District Court for the Southern District of New York, contending that computers loaded with copies of petitioner's flagship product, the Windows operating system, infringe the '580 patent because Windows incorporates software code for encoding and compressing speech in the manner claimed by the '580 patent. Before Windows has been installed, neither the Windows software nor the computers infringe the '580 patent, standing alone; instead, the patent is infringed by a computer loaded with the Windows software such that it is capable of performing as the patented speech processor. The parties eventually entered into a stipulated judgment in which petitioner conceded that the '580 patent was valid, enforceable, and infringed. See Pet. App. 3a-4a.

The only issue on which the parties failed to reach agreement was petitioner's alleged liability under 35 U.S.C. 271(f) for Windows-based computers manufactured and sold overseas. The relevant facts on that point are undisputed. Petitioner conceives, writes, compiles, tests, and debugs its Windows operating system software in the United States. It then provides the operating system to foreign computer manufacturers in one of several ways. First, petitioner creates a limited number of "golden master disks" on which it stores the machine-readable binary object code for the Windows operating system.[1] In some cases, petitioner ships those golden master disks to foreign

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[1] Software in the form in which it is written and understood by humans is called "source code." To be functional, however, software must be converted (or "compiled") into the binary ones and zeros understood by computers. The resulting machine-readable version of software is called "object code." See Pet. App. 22a n.5.

computer manufacturers, who replicate the object code on the master disks to create separate copies of the code and install those copies on the computers they assemble. In other instances, petitioner ships golden master disks to authorized foreign replicators, who make copies of the object code and ship those copies to foreign computer manufacturers for installation on their computers. Alternatively, petitioner sometimes provides the Windows object code to foreign computer manufacturers and replicators via encrypted electronic transmission. The transmitted code is then decrypted and copied, and the copies are installed on foreign computer products. Pet. App. 45a-46a.

In each case, the computer hardware is manufactured overseas; the Windows operating system is installed overseas from copies of the object code that were created overseas; and the completed systems are sold overseas to overseas end-users. Pet. App. 45a-46a. A golden master disk is "never installed on a computer that is then sold." *Id.* at 45a.

3. After acknowledging that the Section 271(f) issue in this case has "profound ramifications for [petitioner] and other United States software manufacturers," Pet. App. 22a, the district court held petitioner liable for all foreign sales of Windows-based computers, *id.* at 21a-38a. The court held that software can be a "component" for purposes of Section 271(f) because it is "well-established" in other contexts that "software can be a component of a patented invention," *id.* at 30a, and "there is no limitation of the term 'components,' either in the statutory text or in the legislative history, to machines or other structural combinations," *id.* at 31a. The court also held that copies of the object code replicated overseas are supplied from the United States because "the object code is originally manufactured in the United States, and supplied from the United States to for-

eign [companies] with the intention of incorporating such software into foreign-assembled computers." *Id.* at 35a.

In light of the district court's decision, petitioner acquiesced in a stipulated judgment of liability and entered into a settlement with respect to damages, while reserving the right to appeal the district court's ruling on the Section 271(f) issue. Pet. App. 42a-43a.

4. In a divided decision, the court of appeals affirmed. Pet. App. 1a-19a.

a. Relying on its recent decision in *Eolas Technologies Inc.* v. *Microsoft Corp.*, 399 F.3d 1325, cert. denied, 126 S. Ct. 568 (Fed. Cir. 2005), the court of appeals unanimously held that software code may be a component of a patented invention for purposes of Section 271(f). Pet. App. 4a; see *id.* at 11a (Rader, J., dissenting in part). The court reasoned that "software code alone qualifies as an invention eligible for patenting," and Section 271(f)'s text is not limited to "patented 'machines' or patented 'physical structures.'" *Id.* at 4a (quoting *Eolas*, 399 F.3d at 1339).

A majority of the panel further held that copies of software that are created abroad by replicating a master version exported from the United States have been supplied from the United States for purposes of Section 271(f). Pet. App. 4a-11a. On the theory that "[c]opying * * * is part and parcel of software distribution," the court concluded that "for software 'components,' the act of copying is subsumed in the act of 'supplying,' such that sending a single copy abroad with the intent that it be replicated invokes § 271(f) liability for those foreign-made copies." *Id.* at 6a.

The court of appeals expressed concern that a contrary holding would "emasculate § 271(f) for software inventions" because "[i]t is inherent in the nature of software that one can supply only a single disk that may be replicated * * * instead of supplying a separate disk for each copy of the

software to be sold abroad." Pet. App. 6a n.2, 7a. In the court's view, petitioner's position would "permit[] a technical avoidance of the statute by ignoring the advances in a field of technology—and its associated industry practices—that developed after the enactment of § 271(f)." *Id.* at 9a-10a. If Congress's response to *Deepsouth* "is to remain effective," the majority asserted, it must "be interpreted in a manner that is appropriate to the nature of the technology at issue." *Id.* at 10a.

b. Judge Rader dissented. Pet. App. 11a-19a. Although he agreed with the majority that software code can be a component of a patented invention, *id.* at 11a, Judge Rader concluded that the majority erred by conflating copying software with supplying it, *id.* at 11a-13a. That software must be copied to be distributed, he explained, "does not actually distinguish software components from physical components of other patented inventions. The only true difference between making and supplying software components and physical components is that copies of software components are easier to make and transport." *Id.* at 14a. The majority's reliance on the relative ease of copying software, he reasoned, is not a relevant distinction under Section 271(f), but instead "ignores this court's case law that refuses to discriminate based on the field of technology." *Ibid.*

Further, Judge Rader warned, the panel imposed "endless liability in the United States under § 271(f) for products manufactured entirely abroad." Pet. App. 11a. Because "[n]othing in § 271(f) or its enacting documents expresses an intent to attach liability to manufacturing activities occurring wholly abroad," *id.* at 16a, Judge Rader explained that respondent's remedy lies in "obtaining and enforcing foreign patents," *id.* at 18a-19a.

DISCUSSION

Although the court of appeals correctly held that software can be a component of a patented invention, it erred in holding that the creation of copies of software overseas, based on a master version provided from the United States, constitutes the supply of those software copies from the United States. The latter holding, which is contrary to the text and history of Section 271(f), improperly extends United States patent law to foreign markets and puts United States software companies at a competitive disadvantage vis-a-vis their foreign competitors in foreign markets. Respondent's remedy lies in obtaining and enforcing foreign patents, not in attempting to extend United States patent law to overseas activities. Because the court of appeals' error has substantial practical importance, the petition for a writ of certiorari should be granted.

A. Software Can Be A Component Of A Patented Invention

By itself, the threshold question presented would not warrant this Court's review. The Federal Circuit correctly rejected petitioner's categorical assertion that software cannot be a component of a patented invention under Section 271(f). See Pet. App. 4a.

1. Because the statute does not define the term "component," that term has its "ordinary or natural meaning." *FDIC* v. *Meyer*, 510 U.S. 471, 476 (1994). A "component" is ordinarily understood to be "a constituent part; element; ingredient." *The Random House Dictionary of the English Language* 419 (2d ed. 1987); see *Webster's New International Dictionary of the English Language* 547 (2d ed. 1958).

Petitioner contends (Pet. 3-5, 12) that software code itself, "uncoupled from any storage medium or computer," is nothing more than disembodied "design information"

that cannot be the subject of a patent. Pet. 3, 12 (citing U.S. Pat. & Trademark Office, *Manual of Patent Examining Procedure* § 2106.IV.B.1(a), at 2100-13 (8th ed. 2001)). Regardless of whether software code is itself patentable, however, software can be a part, element, or ingredient of a patented invention. Three years before Congress enacted Section 271(f), this Court held in *Diamond* v. *Diehr*, 450 U.S. 175 (1981), that an invention is not unpatentable "simply because it uses a * * * computer program, or digital computer." *Id.* at 187; accord *Parker* v. *Flook*, 437 U.S. 584, 590 (1978).

Here, each copy of Windows that is loaded onto a computer is clearly a part, element, or ingredient of the patented invention, and not merely abstract "design information" analogous to the blueprints of a machine. The foreign-made computers at issue here cannot digitally encode and compress speech, and thus do not constitute the "patented invention," unless and until a copy of the software is installed on them. See Pet. App. 3a. Thus, unlike a blueprint that remains on the shelf and is not itself inserted into a computer or other patented invention, the software copy that is actually loaded onto the computers is a part, element, or ingredient of the patented invention. Computer texts commonly describe "software" as being a "component[]" of a computer system. *Dictionary of Computing* 426 (3d ed. 1990); *Encyclopedia of Computer Science* 1599 (Anthony Ralston et al. eds., 4th ed. 2000). The installed Windows code "is not only a component, it is probably the key part of this patented invention." *Eolas*, 399 F.3d at 1339.

2. Petitioner also argues (Pet. 15-17) that software cannot be a "component" of a patented invention because it is "intangible information" rather than a "physical product." But while the concept of the Windows software lacks

physical existence, each copy of the object code that was created overseas and then installed in an allegedly infringing computer overseas unquestionably had physical existence. Software resident in a computer's random-access memory, for instance, has a detectable physical existence in the form of the presence or absence of electrons at different locations on millions of capacitors located on the computer's memory chips. See, *e.g.*, Jeff Tyson & Dave Coustan, *How RAM Works* (visited Sept. 20, 2006) <http://computer.howstuffworks.com/ram.htm>. Similarly, software residing in a computer's hard drive is physically embodied in the varied orientation of particles in the magnetically sensitive coating on the surface of the hard disk platters. See, *e.g.*, Jon L. Jacobi, *How It Works: Hard Drives* (visited Sept. 20, 2006) <http://www.pcworld.com/article/id,18693-page,2/article.html>. Indeed, it is only because the object code has physical existence that the computer's central processing unit is able to detect and implement the software.

To be sure, copies of software stored in a computer's memory or hard drive are not "tangible" in the sense of being detectable by the sense of touch, but nothing in Section 271(f) limits its scope to components of that nature. Petitioner is correct that the components of the shrimp deveining machine at issue in *Deepsouth* were tangible, but Congress did not confine Section 271(f) to the tangible parts of patented inventions any more than it restricted the statute to shrimp deveining machines. By its plain terms, Section 271(f)(1) applies to all "components" of a patented invention, while Section 271(f)(2) applies to "any" component of such an invention—not only tangible components. 35 U.S.C. 271(f)(1) and (2); see *Eolas*, 399 F.3d at 1339; Pet. App. 4a.

Noting that the statute refers to the "combination of * * * components outside the United States," 35 U.S.C. 271(f)(1), petitioner argues (Pet. 16) that intangible software cannot be combined with physical components. Again, however, petitioner's argument reflects a misconception of the nature of the software component of the patented invention. A "combination" is simply a "union of elements." *Deepsouth*, 406 U.S. at 528 (citation omitted). Installing a physical copy of the Windows software object code onto a computer to complete the patented system unites, and thus combines, the software code with the other components so as to "make[]" the invention in a manner that would infringe the patent if done in the United States. 35 U.S.C. 271(a). Nothing in the text of Section 271(f) supports the artificial "tangibility" limitation suggested by petitioner.

B. Transmitting One Copy Of Software Code From The United States Is Not Tantamount To Supplying From The United States The Separate Copies Subsequently Created Overseas

Although the court of appeals correctly held that software can be a component of a patented invention, it erred in holding that the creation of software copies overseas by replication of a master version provided from the United States constitutes the "suppl[y]" of software "from the United States" within the meaning of 35 U.S.C. 271(f). See Pet. App. 4a-11a.

1. Section 271(f) does not prohibit the making of components overseas, the inducement to manufacture components abroad, or the assembly overseas of components that were made overseas. To the contrary, the statute prohibits supplying components "from the United States * * * in such manner as to actively induce the combination *of such components*," *i.e.*, the very components supplied from the United States. 35 U.S.C. 271(f)(1) (emphasis added); see 35

U.S.C. 271(f)(2) (prohibiting the supply from the United States of a component "intending that such component will be combined outside of the United States"). Conduct that merely induces the combination of *foreign-made* components does not violate Section 271(f). Thus, Section 271(f) strikes a balance—it generally prevents companies from manufacturing the components of a patented invention in the United States for assembly overseas, but it leaves them free to manufacture and assemble copies of the *identical* components overseas.

That distinction is rooted not only in the statutory text, but also in Congress's intent to overrule *Deepsouth*. In *Deepsouth*, a manufacturer of shrimp deveining machines sought to avoid infringing a competitor's patent by manufacturing the component parts of the patented machine in the United States and then shipping those parts overseas for final assembly. 406 U.S. at 523-524. If the manufacturer had assembled the machines in the United States, it would have been liable under 35 U.S.C. 271(a) for making a patented invention in the United States. This Court held, however, that the company was not liable because "it is not an infringement to make or use a patented product outside of the United States," 406 U.S. at 527, and the patented invention (the shrimp deveining machine) was not made until its components were actually assembled to form the patented invention, *id.* at 528-529.

Four dissenting Justices argued that the "machine was *made* in the United States," and therefore infringed the patent, because all of the components were manufactured in the United States and "everything was accomplished in this country except putting the pieces together as directed." *Deepsouth*, 406 U.S. at 533 (Blackmun, J., dissenting). The dissenters noted, however, that in their view "[t]he situation, perhaps, would be different were parts, or even only

one vital part, manufactured abroad." *Ibid.* Their concern was protecting against "an infringer who manufactures in the United States." *Id.* at 534 (citation omitted).

When Congress responded by enacting Section 271(f), it agreed with the *Deepsouth* dissenters that the manufacture of component parts in the United States is sometimes sufficiently analogous to making the assembled patented invention in the United States as to warrant liability. See S. Rep. No. 663, 98th Cong., 2d Sess. 2-3 (1984). But it did not take the additional step of prohibiting companies based in this country from competing abroad by either manufacturing abroad or assembling foreign-made components abroad. As the Senate Report explains, "[t]he bill simply amends the patent law so that when components are supplied for assembly abroad to circumvent a patent, the situation will be treated the same as when the invention is 'made' or 'sold' in the United States." *Id.* at 3; see *id.* at 6 (explaining that Section 271(f) prohibits "shipping overseas the components of a product patented in this country so that the assembly of the components will be completed abroad"); 130 Cong. Rec. 28,073 (1984) (statement of Rep. Kastenmeier) (same).

2. The Federal Circuit disregarded that limitation on Section 271(f)'s reach by holding petitioner liable for inducing the combination, outside the United States, of foreign-made computer software copies with foreign-made computer hardware for sale outside the United States.

a. It is undisputed that the golden master disk sent from the United States "is never installed on a computer that is then sold." Pet. App. 45a. Nor does respondent contend that petitioner supplies any other components from the United States. *Id.* at 47a. Because the master copies supplied from the United States are not installed on any of the computers at issue, petitioner has not supplied a compo-

nent of those computers from the United States. As the Federal Circuit has explained in other contexts, "§ 271(f) is clear on its face. It applies only when components of a patent[ed] invention are *physically present* in the United States and then either sold or exported." *Pellegrini* v. *Analog Devices, Inc.*, 375 F.3d 1113, 1117 (emphasis added), cert. denied, 543 U.S. 1003 (2004).

The court of appeals assumed that a different rule should apply to software because "for software 'components,' the act of copying is subsumed in the act of 'supplying.'" Pet. App. 6a. That assumption is erroneous. The particular copy of Windows object code installed on a computer overseas has no existence *until* it is created by replication, and a component cannot have been "suppl[ied]" before it even exists—nor can it have been supplied "from" a country in which it was never present. To be sure, creating copies of computer software is a fast and inexpensive process, but that does not justify the linguistic leap necessary to conclude that supplying one copy from the United States also constitutes supplying from the United States whatever new copies may later be made overseas, any more than sending one mold abroad constitutes supplying from the United States as many items as are later made from that mold in a foreign nation. As Judge Rader explained in dissent, "[a]s a matter of logic, one cannot supply one hundred copies * * * without first making one hundred copies." *Id.* at 13a. By concluding that all copies made from the supplied copy "may be *deemed* 'supplied' from the United States," and have "*essentially* been supplied from the United States," the court of appeals all but acknowledged that petitioner had not *actually* supplied from the United States the copies installed in the foreign-made computers

at issue. See *id.* at 4a, 7a (emphases added). That should be the end of the analysis.[2]

b. The court of appeals' contrary holding rests on its assertion that Section 271(f) "should be construed broadly to effectuate its purposes," Pet. App. 9a (citation omitted), in order to ensure that Section 271(f) will "remain effective" in light of "advances in a field of technology * * * that developed after the enactment of § 271(f)," *id.* at 10a. In patent cases, however, this Court has endorsed the opposite rule of construction: "It is our duty to construe the patent statutes as they now read * * *, and we must proceed cautiously when we are asked to extend patent rights into areas wholly unforeseen by Congress." *Flook*, 437 U.S. at 596; see *Deepsouth*, 406 U.S. at 531. Congress is, after all, fully aware of the ease with which software can be copied, and at times it has adopted special rules to modify intellectual property rights for computer software and other new technologies. See, *e.g.*, Digital Millennium Copyright Act, 17 U.S.C. 1201 *et seq.* The court of appeals erred by expanding the statute's reach, contrary to its text, in order to ensure that it will "remain effective" for new technologies. See Pet. App. 10a.

Moreover, the statute's purposes do not support imposing liability for overseas copying. The Federal Circuit emphasized that there is little functional difference between

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[2] Respondent errs in arguing (Br. in Opp. 18) that "[t]he very same zeros and ones created in the U.S. by [petitioner's] programmers are installed on the foreign computers." The same *pattern* of zeros and ones (or, more precisely, the same pattern of electrical impulses that can be denoted by zeros and ones) is installed on every computer that uses the Windows operating system, but a different *copy* of that pattern is installed on each computer. Two copies of any item (including a book or a player-piano music roll) may be identical, but that does not mean that supplying one copy constitutes supplying others.

copying a master disk in the United States and copying it abroad, Pet. App. 6a-7a, but that does not distinguish software from many other components that can easily be manufactured either in the United States or abroad. Even if the overall economic *result* is the same in either case, the location of the relevant *conduct* is not, and Section 271(f) distinguishes between supply from the United States and supply from abroad.

As Judge Rader recognized in dissent, "[t]he only true difference between making and supplying software components and physical components is that copies of software components are easier to make and transport." Pet. App. 14a. It may well be that because software is easier to copy than most machine parts, software companies can comply with Section 271(f) by copying software abroad more easily than many traditional manufacturing companies could comply by manufacturing parts of their machines abroad. But that is no basis for judicial amendment of the statute.

Significantly, the Federal Circuit's imposition of liability for a single transmission of software from the United States to a foreign country upsets the balance struck by Congress, and forecloses a technology-neutral application of Section 271(f), by denying companies that design software in the United States *any* avenue of competing abroad without the risk of massive patent liability under United States law for foreign sales. Once software is designed in the United States, any transmission abroad for copying and sale is evidently subject to Section 271(f) in the court of appeals' view. By contrast, in every other industry, a company that designs a product in the United States can use that design to manufacture components abroad without facing Section 271(f) liability. See *Pellegrini*, 375 F.3d at 1117-1118. Thus, instead of promoting the statute's policies in a technology-neutral manner, the Federal Circuit's extension

of Section 271(f) produces a result for the software industry alone that differs significantly from the basic balance struck by Congress, which prohibits the manufacture of components in the United States *while permitting it abroad*. See pp. 10-12, *supra*.

3. If there were any doubt about the proper interpretation of Section 271(f), the presumption against extraterritoriality would resolve it. As this Court observed in *Deepsouth*, "[o]ur patent system makes no claim to extraterritorial effect," and our laws "correspondingly reject the claims of others to such control over our markets." 406 U.S. at 531; accord *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641, 650 (1915). That venerable principle follows not only from the text of the Patent Act, which generally grants rights only within the United States, see, *e.g.*, 35 U.S.C. 154(a)(1), but also from considerations of comity, as courts must "assume that legislators take account of the legitimate sovereign interests of other nations when they write American laws." *F. Hoffmann-La Roche Ltd.* v. *Empagran S.A.*, 542 U.S. 155, 164 (2004). Foreign conduct is generally the domain of foreign law, which may embody different policy judgments.

The Federal Circuit's imposition of liability in this case conflicts with those principles. Although respondent argues (Br. in Opp. 20-22) that Section 271(f) governs only the domestic conduct of supplying components of patented inventions, the court of appeals' holding is wrong principally because it is not so limited. The critical aspect of the Federal Circuit's decision is that it allows one act of supply from the United States to give rise to liability each time a copy of the software is made overseas and combined with computer hardware overseas. As Judge Rader noted, petitioner is subjected to open-ended liability in the United States "for products manufactured entirely abroad." Pet. App. 11a.

Congress must provide a "clear * * * indication of intent to extend the patent privilege" abroad before the patent laws will be construed to govern extraterritorially. *Deepsouth*, 406 U.S. at 532; see *F. Hoffmann-La Roche*, 542 U.S. at 164, 174. Although Section 271(f) manifests a clear intent to prevent American companies from making the components of patented inventions in the United States for assembly abroad, it does not manifest an intent, much less a clear one, to regulate copying abroad. As Judge Rader explained, if respondent wants to prevent copying in foreign countries, its remedy lies in obtaining and enforcing foreign patents, not in attempting to apply United States law to acts occurring abroad. Pet. App. 12a, 18a-19a. By arguing (Br. in Opp. 25) that petitioner should not be able to "misappropriat[e] another's patented technology," respondent simply misses the point that foreign law, not United States law, governs the manufacture and sale of components of patented inventions in foreign countries.[3]

C. The Federal Circuit's Decision Warrants Review

1. The questions presented have substantial ongoing practical importance. As the district court recognized, its holding, affirmed by the Federal Circuit, is a "paradigm shift for United States software manufacturers." Pet. App. 38a. Under the court of appeals' decision, companies that design software in the United States cannot distribute their software abroad without running the risk that they will be

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[3] Respondent relies (Br. in Opp. 16) on a statement by petitioner's counsel during a district court proceeding that if petitioner shipped a disk for every unit manufactured overseas, "liability could very well attach." C.A. App. 359. Even leaving aside the equivocal nature of that statement, it has no bearing on the question whether sending a single master copy overseas amounts to supplying from the United States every copy that is made overseas from that master copy.

compelled to pay royalties under United States patent law with respect to all of their foreign sales. Their foreign competitors, by contrast, run no such risk of global liability under United States law, because they are exempt from application of Section 271(f) with respect to their foreign conduct.

As a result, United States software companies will find themselves at a substantial competitive disadvantage in foreign markets, and may even be foreclosed from competing in those markets altogether. That disadvantage will harm the software sector of the American economy and could ultimately compel some software companies to relocate their research and development operations abroad. See Software & Info. Indus. Ass'n Amicus Br. 13-15. Moreover, the logic of the court of appeals' decision could be extended to other high-technology industries.

2. This case presents a suitable vehicle for resolving the questions presented. The legal issues are cleanly presented because the parties stipulated to the facts, see Pet. App. 44a-47a, and this case (unlike *Eolas*) comes to this Court from a final judgment.

Respondent errs in arguing (Br. in Opp. 23) that petitioner "presents an incomplete case for review" because the petition challenges only the Federal Circuit's interpretation of Section 271(f)(1), and Section 271(f)(2) provides an alternative ground for affirmance. The district court entered judgment under Section 271(f) without specifying whether the judgment was based on subsection (1), subsection (2), or both. Pet. App. 42a-43a. The court of appeals likewise referred to Section 271(f) without specifying which subsection or subsections applied. See, *e.g.*, *id.* at 2a. The stipulation of facts arguably supports petitioner's view that the consent judgment was entered only under Section 271(f)(1), because the parties did not stipulate to whether Windows is espe-

cially made or adapted for use in the patented invention, which is relevant to liability under the second but not the first subsection. See *id.* at 46a; 35 U.S.C. 271(f)(1) and (2).

In any event, the only question before the lower courts and this Court is whether petitioner "supplie[d]" a "component" of a patented invention from the United States, and both subsections use those identical terms in the same way and should be read *in pari materia*. See generally *Sullivan* v. *Stroop*, 496 U.S. 478, 484 (1990); *Erlenbaugh* v. *United States*, 409 U.S. 239, 243-244 (1972). Thus, although the questions presented as set forth in the petition reflect petitioner's understanding that it was held liable only under subsection (1), see Pet. (i), the correctness of that understanding is irrelevant to the legal issues before the Court, and this Court's resolution of those issues will have the same effect on the ultimate outcome regardless of the ground on which respondent seeks to defend the judgment below.[4]

3. Because the court of appeals correctly held that software code may be a "component" of a patented invention for purposes of Section 271(f), the Court could grant the petition limited to the second question. In the view of the United States, however, the petition should be granted in full, because the question whether software can be a component of a patented invention is logically antecedent to, and conceptually intertwined with, the question whether petitioner supplied a component of such an invention from the United States.

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[4] An omnibus bill recently introduced in the Senate would, among many other things, repeal Section 271(f). See S. 3818, 109th Cong., 2d Sess. § 5(f) (2006). Any possibility that the relevant subsection of that bill will ultimately be enacted into law is too uncertain to counsel against review of the decision below, especially because previous efforts to repeal or amend Section 271(f) have failed. See Br. in Opp. 22.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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